ADB Assistance to Gujarat

2858. SHRI SATYAJITSINH DULIPSINH GAIKWAD:

SHRI MADHAVRAO SCINDIA:

Will the Minister of FINANCE be pleased to state:

(a) whether the Asian Devleopment Bank has granted a $ 820 million loan for various projects in Gujarat;

(b) if so, the details of the projects to be financed therewith; and

(c) the terms and conditions of the agreement?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATPAL MAHARAJ): (a) to (c) Asian Development Bank has approved a loan of US$ 250 million on 18th November, 1996 for the Gujarat Public Sector Resource Management Programme. The programme will support Government of Gujarat in augmenting domestic resource mobilisation, improving the allocation and efficiency of the public sector and reducing Government of Gujarat's role in commercial activities while promoting market-oriented policies to enhance private sector participation in the infrastructure. The loan has the standard ADB ordinary Capital Resources terms and conditions with a repayment period of 15 years including a grace period of three years. The loan is scheduled to close in December, 1998.

Fraud in Canara Bank

2859. SHRI RAMSAGAR: Will the Minister of FINANCE be pleased to state:

(a) whether CBI has unearthed a well-knit fraud of over a crore of rupees in Canara Bank branches in Bihar, West Bengal, Gujarat and Maharashtra and have arrested some people in that behalf;

(b) if so, the details thereof;

(c) the details of the bank officials found involved therein in any manner; and

(d) the number of private and public sector bank officials against whom action has been taken or proposed to be taken under the law for dereliction of duty, connivance, negligence etc. during the last three years.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATPAL MAHARAJ): (a) to (c) Central Bureau of Investigation (CBI) have reported that they have registered two cases in September, 1996 and December, 1996 pertaining to frauds in Bhore branch and Daraundha branch of Canara Bank in Bihar. CBI have conducted raids and also arrested six persons including three employees of Canara Bank. According to information furnished by Canara Bank, some miscreants in connivance with employees of the bank had stolen 48 demand draft leaves from the Daraundha branch and Bhore branch of the bank. Subsequently, 20 demand drafts were fraudulently encashed by the miscreants at four branches of the bank involving an amount of Rs.100 lakhs. The miscreants also attempted to encash two demand drafts amounting to Rs. 10 lakhs from the bank's account section, Mumbai. However, the fraud was averted. The bank has placed three employees under suspension. An amount of Rs. 22.30 lakhs has been recovered by the bank.

(d) The information readily available relating to action taken against delinquent employees of public sector banks for their involvement in frauds during the years 1994, 1995 and 1996 is given below:

		1994	1995	1996
(i)	No. of employees convicted	50	33	46
(ii)	No. of employees awarded major/minor penalty	1248	1160	1207
(iii)	No. of employees dismissed/discharged/ removed	360	301	331

Credit Growth

2860. SHRI RAMESH CHENNITHALA: Will the Minister of FINANCE be pleased to state:

(a) whether the credit growth is slowing down;

(b) if so, the reasons therefor;

(c) the details of credit growth as against deposit growth in 1996-97 as well as since March, 1997, and

(d) the remedial measure taken or proposed to be taken to improve the credit growth?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATPAL MAHARAJ): (a) to (c) In the last financial year 1996-97, aggregate deposits of scheduled commercial banks increased by Rs. 71,780 crore (16.5 per cent), while total bank credit recorded a growth of Rs. 24,386 crore (9.6 per cent). In the current financial year upto July 18,. 1997 aggregate deposits have increased by Rs. 15,688 crore (3.1 per cent) as against an expansion of Rs. 12,087 crore (2.8 per cent) in the last financial year upto July 19, 1996. Total bank credit of scheduled commercial banks has recorded a growth of Rs. 516 crore (0.2 per cent) in the current financial year upto July 18, 1997, as against a contraction of Rs.2,739 crore (–1.1 per cent) in the corresponding period of the last financial year. Bank investments in shares, debentures/bonds and commercial papers, which also augment the resources for production and investment, have been of the order of Rs.2,650 crore in the current financial year upto June 20, 1997, much

higher than only Rs.1,063 crore in the corresponding period of 1996-97. In 1996-97 this investment was to the tune of Rs. 8,075 crore.

The somewhat slow growth of bank credit in the current financial year so far may be attributed, inter-alia, to sluggish trends in the primary capital market, slow pick-up in industrial growth and systemic adjustment because of introduction of prudential norms.

(d) Several measures have been initiated by the Reserve Bank of India to promote growth of bank credit to the commercial sector. The cash reserve ratio was reduced by 4 percentage points to 10 per cent in the last financial year. In its credit policy statement for the first half of the current financial year, the Reserve Bank of India has asked the banks to endeavour to bring down interest rates by reducing the spread and to ensure an adequate flow of bank credit to support the growth of the real sector. The ceiling interest rate on domestic term deposits of 30 days and upto and one year has been reduced by 2 percentage points to 8 per cent. The ceiling interest rate on Non-Resident (External) Rupee Accounts of six months and upto one year has also been reduced by 4 percentage points to 8 per cent. The ceiling rate on the post shipment export credit upto 90 days and the interest rate on such credit beyond 90 days and upto six months have also been reduced by one percentage point each. Banks have been given full discretion to assess the working capital requirements of their borrowers within the existing prudential guidelines and exposure norms. The obligation to form a consortium for working capital facility of Rs. 50 crore and above has been dispensed with. The prime lending rates of most banks have been actually reduced by one to one and a half percentage points, since April 1997.

Business in Insurance Sector by Foreign Companies

2861. SHRI K. PARASURAMAN: Will the Minister of FINANCE be pleased to state:

(a) whether any decision has been taken to do insurance business by foreign companies in India;

(b) if so, the details thereof;

(c) whether an agreement has already been signed by some foreign business firms in Chennai in collaboration with Indian business firms; and

(d) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATPAL MAHARAJ): (a) and (b) Under the existing Laws, the life Insurance and General Insurance business are exclusive privileges of life Insurance Corporation of India (LIC); and general Insurance Corporation of India (GIC) and its four subsidiaries respectively.

(c) and (d) Agreements signed between private parties do not require prior Government approval. Government do not have any official information regarding such agreements.

[Translation]

Deposits Made by Bank Branches in Cities, Town, and Rural Areas

2862. PROF. PREM SINGH CHANDUMAJRA:

SHRI NAWAL KISHORE RAI:

Will the Minister of FINANCE be pleased to state:

(a) whether the nationalised banks are operating their branches in various parts of the country;

(b) if so, the number of bank branches of the nationalised banks are operating in metropolitan cities, cities, towns and rural areas, separately as on 31 March 1997;

(c) whether the branches at these banks are providing loans and depositing money under the same guidelines;

(d) if so, the percentage of the deposit out of the total deposits obtained in the towns, cities and metro cities, till March, 1997; and

(e) the percentage of the loan out of the total loans given by these branches till March 1997?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATPAL MAHARAJ): (a) Yes, Sir.

(b) Population group-wise number of branches of scheduled commercial banks as furnished by Reserve Bank of India as at the end of March, 1997 is given below:

Population Group	Number of Branches
Rural	33024
Semi-Urban	13652
Urban	9194
Metropolitan	7509
Total	63379

(c) The same guidelines apply in respect of all bank branches for providing loans and for accepting deposits.

(d) and (e) Population group-wise distribution of deposits and credit of scheduled commercial banks as on the last Friday of March, 1997 and the percentage share thereof are given below: